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*Attorneys for Defendant Wells Fargo Bank, N.A.***UNITED STATES DISTRICT COURT****NORTHERN DISTRICT OF CALIFORNIA***In re Wells Fargo Mortgage
Discrimination Litigation*

Case No. 3:22-cv-00990-JD

The Hon. James Donato

**DECLARATION OF SALLY RELOVA
IN SUPPORT OF DEFENDANT WELLS
FARGO BANK, N.A.'S OPPOSITION TO
PLAINTIFFS' MOTION FOR CLASS
CERTIFICATION**

1 I, Sally Relova, declare:

2 1. I am the Quantitative Analytics Director at Wells Fargo Bank, N.A. (“Wells
3 Fargo”). I have overseen model development, maintenance, and monitoring for quantitative
4 credit risk models that are used across the full credit lifecycle (origination, account management,
5 collections, and recovery) for all consumer products at Wells Fargo since 2014.

6 2. I have personal knowledge of the facts stated in this declaration and, if called
7 upon, could and would testify to the same. I submit this declaration in support of Wells Fargo’s
8 Opposition to Plaintiffs’ Motion for Class Certification.

9 3. The Enhanced Credit Score (ECS) actually refers to two separate models Wells
10 Fargo developed and uses in home lending: Model 11419 (used for government loans) and
11 Model 11960 (used for conventional loans).¹ The conventional model (Model 11960) was used
12 in conjunction with Fannie Mae’s and Freddie Mac’s automated underwriting systems (AUSs)
13 to determine the salability of conforming loan application when it was deployed in 2015. Fannie
14 Mae and Freddie Mac now require those determinations to be made using their own AUSs, so
15 Model 11960 is now used in conforming loans only to inform underwriters about information in
16 the applicants’ credit bureau reports and debt-to-income ratio (DTI). Regardless of time and
17 product, however, none of the ECS models approve or deny a loan application.

18 **I. The ECS Models’ Scoring and Credit Risk Classes**

19 4. Each of the ECS models is a simple scorecard whose logic can be fully stated on
20 2-3 sheets of paper. Neither utilizes artificial intelligence. Instead, the ECS models pull
21 numerical values from an applicant’s credit report and DTI, and they assign points based on
22 those numerical values. For example, a DTI of >30% to 35% results in a specified number of
23 points being added to the final ECS score, while a DTI of >35% to 40% yields fewer points.
24 Both the points assigned and the thresholds at which they are assigned are static and have not

25

26 ¹ A third model was developed for home equity loans within the ECS suite of models,
27 but it was never used. It is unrelated to what Dr. Kurzendoerfer calls the Wells Fargo Credit
28 Grade (which simply reflects FICO score) or the Wells Fargo home equity AUS reported in
HMDA data.

1 changed since the models were deployed in 2015, so the models do not “learn” over time. Each
2 applicant is scored individually, and if there is a co-applicant the two scores are averaged. The
3 ECS models are simple enough that an applicant’s score could be calculated by hand.

4 5. Model 11960, developed for use on conventional first-lien mortgage and second-
5 lien simultaneous home equity (SIMO) products, considers 11 credit bureau report attributes and
6 one loan attribute (namely, DTI). It results in a score between 76 and 333, which is not
7 displayed to underwriters, with higher scores indicating lower credit risks. That score is then
8 translated into one of four credit risk classes for conventional mortgages: A1, A2, C1, and C2,
9 with A1 representing the lowest risk of default and C2 the highest. In February 2015, Wells
10 Fargo stopped using Model 11960 to generate the credit risk class for SIMO products. Instead,
11 the SIMO credit risk class was based solely on FICO score.

12 6. Model 11419, developed for use on government loans, considers DTI and 10
13 credit bureau report attributes (7 of which are also considered by Model 11960, but weighted
14 differently). It results in a score between 25 and 237, which is not displayed to underwriters.
15 That score is translated into credit risk classes of G1, G2, and G3, representing increasing levels
16 of default risk.

17 7. None of the models considers demographic characteristics like race, ethnicity,
18 sex, or age. As described below concerning model development, some facially neutral variables
19 with predictive power were also excluded out of fair lending concerns. As a result, for example,
20 none of the models considers where the borrower or subject property is located or
21 unemployment.

22 **II. Risk Insight Messages**

23 8. The ECS models are also used to generate risk insight messages that are
24 displayed to underwriters. The top six risk insight messages are displayed to the underwriter,
25 ranked in order of importance (or fewer if six messages are not generated). If an ECS model fails
26 to generate a valid score at all (e.g., due to data issues), no risk insight messages are displayed.

27 9. I understand that Dr. Kurzendoerfer testified at her deposition that she thought
28 that ECS credit risk class might determine the risk insight messages displayed to underwriters,

1 but that is incorrect. Risk insight messages are not based on the ECS credit risk class or total
2 score, but instead reflect the underlying credit report and transaction attributes, ranked by how
3 far they each deviate from neutral. For example, one of the items reported by the credit bureaus
4 is the number of months since an applicant's most recent delinquency. That credit attribute
5 results in a certain number of points being assigned in both Model 11960 and Model 11419,
6 depending on the number of months reported. But, independent of the final ECS score and
7 related credit risk class, if it has been less than six months since the most recent delinquency and
8 recency of delinquency is one of the top 6 characteristics whose attribute falls below neutral, for
9 example, ECS will trigger a risk insight message that reads, "Credit Report: Account(s) have 30
10 plus days past due within the last 6 months." Risk insight messages carry priorities determined
11 by deviation of the associated attribute from neutral, and only the top six are displayed to
12 underwriters. Consequently, that particular message may or may not be displayed, depending on
13 what other messages are triggered and how far their associated attributes deviate from neutral,
14 but the total ECS score does not factor into that decision. The only impact that the total ECS
15 score has on the risk insight messages is that, where there are co-applicants, the risk insight
16 messages of the applicant with the lower score are displayed.

17 **III. ECS Model Development**

18 10. The development of the ECS models is described in a number of Model
19 Development documents created for Wells Fargo Corporate Risk and updated from time to time,
20 some of which were updated under my supervision. These documents are kept in the ordinary
21 course of business. I am familiar with these documents, and my understanding of the
22 development of the ECS models draws from them.

23 11. All ECS models were developed using logistic regression with a dependent
24 variable of whether a mortgage account became 90 or more days past due or worse within the
25 first 36 months of the loan. Model 11960 was developed using historical data about Home
26 Mortgage Conventional and Home Equity SIMO applications and performance. Model 11419
27 was developed using a different data set concerning Home Mortgage Government applications
28 and performance.

1 12. The model development team examined the Information Value (IV) and marginal
2 contribution of various potential variables to rank their ability to predict default in selecting
3 possible candidate variables, and looked at different combinations of variables and how they
4 interacted with other variables. The team also used their business knowledge and expertise to
5 exclude variables that did not make sense, that were likely to be highly correlated with each
6 other, to have low predicting power, or that may cause fair lending concerns. The model
7 development team consulted with fair lending compliance officers in selecting which variables
8 to include in the ECS models. Some variables were excluded because their predictive power
9 could vary with changes in the lending environment and economic climate, and so they were
10 better utilized in policies instead of in the models. In addition, geographic variables (regions,
11 state, metropolitan statistical area, etc.) and macroeconomic variables (e.g., unemployment)
12 were excluded from the models due to their potential for disparate impact, even though they had
13 predictive power.

14 13. The model development team evaluated the performance of each ECS model
15 using conventional model performance metrics. These metrics were also used to compare the
16 ECS models to other models, including a predecessor model no longer in use and FICO. Model
17 11960 and Model 11419 both showed a better ability to predict default in the sample data than
18 FICO.

19 **IV. Testing of ECS by Fair Lending Analytics**

20 14. Wells Fargo's Fair Lending Analytics team examined Model 11960 for potential
21 disparate impact or use of proxy variables, and they conveyed the results to me. They identified
22 no proxy variables within the attributes considered by Model 11960, meaning that none of the
23 variables could be used to identify an individual's membership in a protected class. They
24 identified some practically significant differences in Model 11960's score distributions for four
25 of the five protected classes and in the resulting credit risk classes for three of the five classes.
26 (The report I received masked which protected classes were affected.) Fair Lending Analytics
27 identified three variables as the likely drivers of those disparities, and they requested that my
28

1 team describe the business justifications for the variables used in Model 11960 and consider
2 alternatives.

3 15. My team did this work in a written report that I understand was produced in this
4 litigation. The report explained which variables made the greatest marginal contribution to the
5 model's ability to predict default and which variables were the main drivers of the model. The
6 model's variables rendered it both more predictive and stable. Moreover, as noted above, Model
7 11960 was better able to predict default than both its predecessor model and FICO. The business
8 justification document explained how variables were chosen for inclusion in the model and why
9 other variables were not chosen for inclusion. To explore potential alternatives, my team
10 dropped the variables identified in the Fair Lending Analytics report as likely drivers of the
11 disparities, both one by one and altogether. Fair Lending Analytics incorporated that business
12 justification document into an updated report on Model 11960.

13 **V. ECS Model Usage**

14 16. How each ECS model is used in underwriting mortgage applications depends on
15 both the loan product type and the time period.

16 **A. Conventional Conforming Loans**

17 17. At present, Model 11960 scores and credit risk classes are not used for
18 conforming mortgage applications. The model is used only to generate risk insight messages.
19 Neither the ECS score nor credit risk class are displayed to underwriters.

20 18. Prior to July 2021, Model 11960 could contribute to the hybrid credit risk class
21 used in underwriting conforming mortgage applications, because at that time Fannie Mae would
22 accept the Model 11960 credit risk class in determining a loan's eligibility for sale. In particular,
23 it would treat an ECS credit risk class of A1 or A2 as the equivalent of an Approve/Eligible
24 from its own automated underwriting system, Desktop Underwriter (DU), with respect to
25 salability considerations. Until 2016, Freddie Mac would also treat an ECS credit risk class of
26 A1 or A2 as the equivalent of an Accept result from its automated underwriting system, Loan
27 Prospector (later replaced by Loan Product Advisor) (LP/LPA). As a result, the hybrid credit
28 risk class would be based on DU if it returned a Approve/Eligible result, on LP/LPA if it

1 returned an Accept result, and on ECS only if neither DU nor LP/LPA returned a favorable
2 result. As a consequence, Model 11960 could only ever help an applicant, potentially raising the
3 hybrid credit risk class if both DU and LP/LPA rated the application poorly. The ECS credit risk
4 class was only used as the hybrid risk class if the result was favorable to the customer. The
5 hybrid credit risk class is currently based on only DU and LP/LPA, and ECS plays no role.

6 19. Prior to July 2021, Model 11960 could play a role in underwriter routing for retail
7 conforming applications. Applications with worse credit risk classes were routed to underwriters
8 with higher levels of approval authority, but the underwriting requirements remained the same.
9 It is no longer used for underwriter routing, either.

10 **B. Conventional Non-Conforming Loans**

11 20. Model 11960 plays a limited role in underwriting conventional non-conforming
12 loan applications. The underwriter can see the risk insight messages generated when the ECS
13 score is calculated. The credit risk classes of A1, A2, C1, and C2 can be viewed by the
14 underwriter as well, but do not determine eligibility. If an applicant wants a letter saying that he
15 or she is prequalified (not preapproved) for a mortgage in order to bid on a home, the Model
16 11960 credit risk class must be A1 or A2, but there is no such restriction when it comes time to
17 approving a full mortgage application.

18 **C. Government Loans**

19 21. Model 11419 plays a limited role in underwriting government loan applications,
20 similar to conventional non-conforming loan applications. It is used to generate risk insight
21 messages, in determining eligibility for prequalification letters, and for underwriter routing. The
22 credit risk classes of G1, G2, and G3 can be viewed by the underwriter to gain a sense of the
23 credit risk of an application, but they do not determine eligibility.

1 I declare under penalty of perjury that the foregoing is true and correct.

2 Executed this 23th day of May, 2024.

3
4 By: 
5 Sally Relova
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Electronic Record and Signature Disclosure

Last updated: April 26, 2021

You are entitled by law to receive certain information “in writing.” However, we may instead provide this information to you electronically with your prior consent. We also need your consent to use electronic signatures. In this consent (the “Consent”), “we,” “us,” “our,” and “Wells Fargo” refer to Wells Fargo Bank, N.A. and any affiliate or subsidiary of Wells Fargo Bank, N.A. “You” and “your” refer to the person agreeing to this Consent.

1. **Scope.** In our sole discretion, we may provide to you, or you may sign, submit, or agree to at our request, certain documents, records, disclosures, notices, communications, agreements, fee schedules, statements, and other information in electronic form through the DocuSign system (“Electronic Records”). We may also use electronic signatures and obtain them from you through the DocuSign system (“Electronic Signatures”). You may receive emails related to the Electronic Records and Electronic Signatures. This Consent applies to any Electronic Records or Electronic Signatures in connection with the signing event on the DocuSign system associated with this Consent (the “Signing Event”).
2. **Paper Copies.** We will not send you paper copies of any Electronic Records unless we, in our sole discretion, deem it appropriate to do so. If you desire a paper copy of an Electronic Record, you may: (a) download or print the Electronic Record after the Signing Event; or (b) contact the appropriate customer service unit and request a paper copy, for which we may charge you a fee unless prohibited by law. Any such fee will be disclosed at the time of request.
3. **Your Email Address.** To update your email address before completing the Signing Event: (a) if you arrived at the Signing Event through Wells Fargo Online® or a similar online system, follow the appropriate procedure for that system to update your email address; or (b) if you arrived at the Signing Event through a link in an email you received, please contact the Wells Fargo representative associated with that email.
4. **Withdrawal.** This Consent only applies to the Signing Event, and you will not be able to withdraw this Consent after you have completed the Signing Event. If you do not wish to agree to this Consent, you may decline to continue with the Signing Event.
5. **Software and Hardware Requirements.** To use Electronic Records and Electronic Signatures, you must meet the current minimum DocuSign system requirements, which can be found here: <https://support.docusign.com/guides/signer-guide-signing-system-requirements>. In addition, you must have:
 - A web browser listed on the Wells Fargo Supported Browsers and Operating Systems page (<https://www.wellsfargo.com/help/online-banking/browser-supported>);
 - An Internet connection;
 - An active email account;
 - A currently supported version of a program that accurately displays PDF files;
 - A computer or other device and an operating system capable of supporting all of the above;
 - A printer, if you wish to print out paper copies of Electronic Records; and
 - Electronic storage, if you wish to retain Electronic Records in electronic form.

Please indicate you have read, understand, and agree to this Consent by selecting the checkbox next to “I agree to use electronic records and signatures” before clicking “CONTINUE” within the Signing Event.